

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

NEW YORK STATE BANKING DEPARTMENT
NEW YORK, NEW YORK

Written Agreement By and Among)
)
BANK OF NEW YORK)
New York, New York)
)
FEDERAL RESERVE BANK OF NEW YORK)
New York, New York)
)
and)
)
NEW YORK STATE BANKING DEPARTMENT)
New York, New York)
)

WHEREAS, Bank of New York, New York, New York ("BONY"), a state member bank, is taking steps to enhance and improve BONY's anti-money laundering policies and procedures and customer due diligence practices resulting from the identification of deficiencies by BONY and by the Federal Reserve Bank of New York (the "Reserve Bank") and the New York State Banking Department (the "Department") during the course of their targeted review of BONY's international private banking, retail banking, correspondent banking, and funds transfer division;

WHEREAS, in recognition of the common goal to continue the enhancements and improvements undertaken by BONY, the Reserve Bank and the Department have mutually agreed to enter into this Written Agreement (the "Agreement") with BONY; and

WHEREAS, on February 8, 2000, the board of directors of BONY, at a duly constituted meeting, adopted a resolution authorizing and directing Thomas A. Renyi to enter into this Agreement, and consented to compliance with each and every provision of this Agreement by BONY.

NOW, THEREFORE, the Reserve Bank, the Department, and BONY agree as follows

Enhanced Due Diligence

1. Within 45 days of this Agreement, BONY shall submit to the Reserve Bank and the Department an acceptable enhanced customer due diligence program. The program shall be designed to reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving BONY to law enforcement and supervisory authorities as required by the suspicious activity reporting provisions of Regulations H and Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 CFR 208.62 and 225.4(f)) and Part 300 of the Official Compilation of Codes, Rules, and Regulations of the State of New York. The enhanced customer due diligence program shall provide:

- (a) For a risk focused assessment of the customer base of BONY to:
 - (1) identify the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their banking activities, and
 - (2) determine the appropriate level of enhanced due diligence necessary for those categories of customers that BONY has reason to believe pose a heightened risk of illicit activities at or through BONY.
- (b) For those customers whose transactions require enhanced due diligence, procedures to:
 - (1) determine the appropriate documentation necessary to confirm the identity and business activities of the customer,
 - (2) understand the normal and expected transactions of the customer, and
 - (3) report suspicious activities in compliance with existing reporting requirements set forth in the regulations of the Board of Governors and the Department.
- (c) Appropriate procedures to reasonably ensure that all new products involving the receipt or transfer of funds comply with applicable laws and regulations related to anti-money laundering compliance and suspicious activity reporting.

- (d) Appropriate procedures to reasonably ensure that account Relationship Managers comply with applicable laws and regulations related to anti-money laundering compliance and suspicious activity reporting.
- (e) For the continued enhancement of training for all appropriate BONY personnel (including, but not limited to, branch and customer service representatives, lending officers, private and personal banking officers, all other customer contact personnel, and compliance and audit staff) in the relevant aspects of regulatory and internal policies and procedures related to anti-money laundering compliance and in the identification and reporting of suspicious activity.
- (f) For an internal review process designed to ascertain that:
 - (1) BONY is complying with applicable rules and regulations related to anti-money laundering compliance and the reporting of suspicious activity;
 - (2) appropriate personnel possess the requisite knowledge necessary to comply with applicable rules and regulations related to anti-money laundering compliance and suspicious activity reporting;
 - (3) the results of the internal review are reported to senior management; and
 - (4) senior management institutes appropriate actions to resolve any reported deficiencies.

Compliance

2. Within 10 days after the end of each calendar quarter (March 31, June 30, September 30 and December 31) following the date of this Agreement, BONY shall provide to the Reserve Bank and the Department:

- (a) Updates regarding BONY's Anti-Money Laundering Oversight Committee, which shall include information concerning customer accounts selected for review and the subsequent actions taken with regard to the reviewed accounts;
- (b) reports on the Correspondent Banking accounts scheduled to be closed within the International Banking Sector; and

- (c) a description of the status of the on-going implementation of BONY's automated due diligence monitoring systems with regard to anti-money laundering procedures and suspicious activity reporting.

3. Within 60 days of this Agreement, BONY shall submit to the Reserve Bank and the Department an acceptable plan describing the steps that BONY will continue to take to strengthen compliance with regard to anti-money laundering procedures and suspicious activity reporting within BONY. The plan shall address, consider, and include the following:

- (a) The compliance management structure, reporting, staffing levels, policies and procedures related to anti-money laundering and suspicious activity reporting;
- (b) the role and responsibilities of the Bank Secrecy Act Compliance officer position;
- (c) a description of the steps taken to address subpoena processing deficiencies; and
- (d) steps taken to effectively disseminate compliance-related information and issues and test for compliance with applicable laws and regulations with regard to anti-money laundering and suspicious activity reporting.

Policies and Procedures Task Force

4. Within 10 days after the end of each calendar quarter (March 31, June 30, September 30 and December 31) following the date of this Agreement, BONY shall provide to the Reserve Bank and the Department status reports detailing the progress of BONY's Policies and Procedures Task Force and, in this regard, within 60 days of this Agreement, BONY shall submit to the Reserve Bank and the Department acceptable procedures designed to make employees in individual business units of BONY cognizant of changes to policies and procedures as a result of the provisions of this Agreement.

Risk Management

5. Within 45 days of this Agreement, BONY shall submit to the Reserve Bank and the Department an acceptable plan outlining the steps that BONY will continue to take to strengthen its risk management environment pertaining to funds transfer and cash management products. The plan shall address, consider, and include the following.

- (a) A written assessment of BONY's funds transfer and cash management products evaluating their inherent credit, market, operational, legal and reputational risks and the controls in place to mitigate such risks;

- (b) a review of BONY's existing MIS reports to determine whether such reports provide the board of directors and senior management with sufficient, reliable and timely information to monitor and manage the risks associated with its funds transfer and cash management products; and
- (c) an analysis of the existing staffing levels within BONY's risk management infrastructure and a projection of the skills and staffing needs going forward, taking into account the risk profile of BONY's funds transfer and cash management products.

Audit

6. Within 45 days of this Agreement, BONY shall submit to the Reserve Bank and the Department an acceptable plan describing the steps that BONY will continue to take to strengthen its Internal Audit coverage of funds transfer and cash management products with particular emphasis on the Micro/Cash Register product. The plan shall address, consider, and include the following:

- (a) A review, and where necessary an update, of audit policies and procedures to ensure that all funds transfer and cash management products are appropriately risk rated;
- (b) an evaluation of the frequency of audits of funds transfer and cash management products to ensure that the cycle is reflective of the risks inherent in each product;
- (c) assurances that the audit scope for each funds transfer and cash management product includes reviews of key MIS reports within any given business line to determine their relevancy, accuracy and effectiveness as tools used by management to arrive at sound business decisions;
- (d) a review and if necessary a modification of the compliance self-assessment questionnaires utilized with respect to the funds transfer and cash management businesses to ensure that these control measures are being utilized effectively and applicable laws and regulations are being tested appropriately;
- (e) an evaluation of the staffing and skill levels to ensure that Internal Audit will be in the position to move forward and adopt new audit techniques for reviewing funds transfer and cash management products and identifying key risks; and

- (f) an evaluation of the adequacy of audit staff's knowledge and ongoing training with regard to anti-money laundering and suspicious activity reporting.

Plans, Policies, and Procedures

7. The written plans, programs, and procedures required by paragraphs 1, 3, 4, 5 and 6 hereof shall be submitted to the Reserve Bank and the Department for review and approval. Acceptable plans, programs, and procedures shall be submitted to the Reserve Bank and the Department within the time periods set forth in this Agreement. BONY shall adopt the approved plans, programs, and procedures within 10 days of approval by the Reserve Bank and the Department and then shall fully comply with them. During the term of this Agreement, the approved plans, programs, and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

Periodic Reports

8. Within 10 days after the end of each calendar quarter (March 31, June 30, September 30 and December 31) following the date of this Agreement, BONY shall furnish to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement, and the results thereof.

Miscellaneous

- 9. All communications regarding this Agreement shall be sent to:

- (a) Mr. William L. Rutledge
Executive Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Ms. Elizabeth McCaul
Acting Superintendent of Banks
New York State Banking Department
Two Rector Street
New York, New York 10006
- (c) Mr. Thomas A. Renyi
Chairman and Chief Executive Officer
Bank of New York
One Wall Street
New York, New York 10286

10. The provisions of this Agreement shall be binding on BONY and each of its institution-affiliated parties in their capacities as such, and their successors and assigns.

11. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Reserve Bank and the Department.

12. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the Department may, in their sole discretion, grant written extensions of time to BONY to comply with any provision of this Agreement.

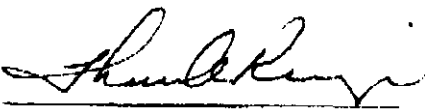
13. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Department, or any other federal or state agency or department, from taking any other action affecting BONY, or any of its current or former institution-affiliated parties, or their successors, or assigns.

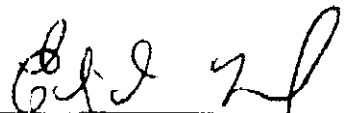
14. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the Federal Deposit Insurance Act and pursuant to Section 39 of the New York State Banking Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 8th day of February, 2000.

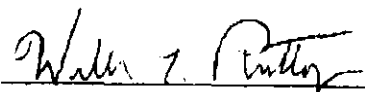
Bank of New York

New York State Banking Department

By: 
Mr. Thomas A. Renyi
Chairman and Chief Executive Officer

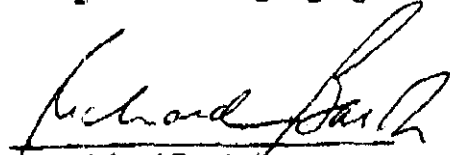
By: 
Ms. Elizabeth McCaul
Acting Superintendent of Banks

Federal Reserve Bank of New York


By: 
Mr. William L. Rutledge
Executive Vice President

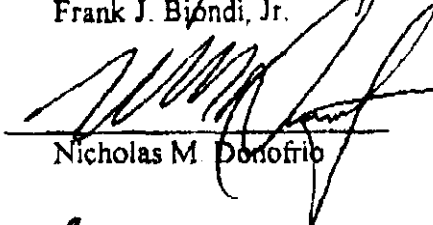
Each of the undersigned directors acknowledge having read the foregoing Agreement and approves of the consent thereto by BONY.


J. Carter Bacot


Richard Barth



Frank J. Biondi, Jr.


William R. Chaney


Nicholas M. Donofrio


Alan R. Griffith

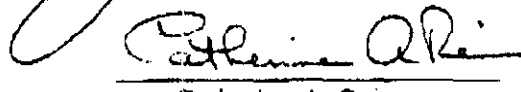

Gerald L. Hassell



Richard J. Kogan


John A. Luke, Jr.



John C. Malone


Donald L. Miller


Catherine A. Rein


Thomas A. Renyi


William C. Richardson


Brian L. Roberts